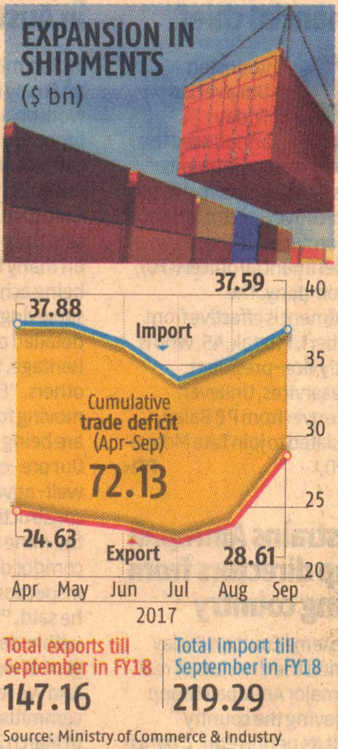
BUSINESS STANDARD
SATURDAY, OCTOBER 14, 2017

3 months into GST, exports rise over 25%

Import growth falls, narrowing trade deficit to 7-mth low

SUBHAYAN CHAKRABORTY
New Delhi, 13 October



Source: Ministry of Commerce & Industry

Exports grew at a six-month-high rate of 25.7 per cent in September year-on-year, maintaining the momentum of 13 months of interrupted rise and despite the problems of getting refunds under the goods and services tax (GST) regime.

This was the second month of exports expanding in double digits after outbound shipments were up 10.29 per cent in August.

The pace of export growth comes after they contracted for more than a year. The country exported goods worth $28.61 billion in September against $22.76 billion in the same month last year.

In the third month into the GST, export growth picked up mainly owing to rising global crude oil prices, which pushed up processed petroleum exports by nearly 40 per cent, apart from a broad-based improvement in exports of major foreign exchange earners such as engineering goods and gems and jewellery.

This may give credence to the observations of the Economic Advisory Council to the Prime Minister (EAC-PM) that green shoots of economic revival were visible.

On Thursday the official data showed that industrial output expanded by a nine-month high of more than 4 per cent in August.

Commerce Minister Suresh Prabhu tweeted, "India's growth story is back! Exports grow by 25.7 per cent in September, 2017."

Import growth fell marginally in September to 18 per cent, down from 21 per cent in August. Imports were worth $37.59 billion.

This has pulled down the trade deficit to a seven-month low of $8.98 billion in September from $11.64 billion in the previous month. The deficit was $9.07 billion in September last year.

This may ease the current account deficit (CAD) in the second quarter. Aditi Nayar, principal economist, ICRA, expected the CAD to come down to $7.5-8.5 billion in the second quarter from $14 billion in Q1.

Cumulative exports in April-September were $147.18 billion, up 11.52 per cent from $131.98 billion in the same period a year ago.

For imports, the figure was $219.31 billion. Consequently, the cumulative trade deficit for the current financial year till September is $72.1 billion.

Turn to Page 6 ▸

BUSINESS STANDARD
SATURDAY, OCTOBER 14, 2017

3 months into GST...

After surging by about 69 per cent in August, the import of gold fell by 5 per cent in September to $1.7 billion. However, the import of silver continued to rise at a high rate of more than 128 per cent.

Non-oil, non-gold imports rose by 19.76 per cent, marginally down from over 20 per cent in August, signalling that the industrial sector may continue to show high growth for the second consecutive month in September.

The index of industrial production (IIP) rose 4.2 per cent in August after more or less flat growth in July. Though non-oil non-gold imports are at current prices, and the IIP at constant prices, the former gives a rough idea about the demand for industrial goods. Non-oil exports rose 23.88 per cent in September, up from 6.86 per cent in August. In August, overall exports had risen by 10.29 per cent. In the preceding three months, growth had been limited to single digits, falling to a low of 3.94 per cent in July.

Growth came even as exporters complained about the refund mechanism under the GST, saying it was affecting outbound shipments.

Exporters have to pay the integrated GST on import of goods and then claim refunds based on their scrips under the new indirect tax system. After three months of continuous friction between the government and exporters, GST norms on exports were eased in early October.

"The continued improvement in the pace of growth of merchandise exports, as well as its fairly broad-based nature, suggests that concerns that arose after the transition to the GST may be receding in some sectors. Nevertheless, the high growth recorded by some of the major export groups may be related to rising commodity prices," Nayar said.

Early assessments show that exports may breach the high levels of growth seen in March 2017, when outbound shipments had risen by 27 per cent, according to a senior commerce ministry official.

In September, only four sectors — meat; dairy products; fruit and vegetables; and iron ore and handicrafts — contracted among the 30 most important export sectors. This was the same as August.